

**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For The Period
April 21, 2007 Through April 25, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOYLE COUNTY
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period
April 21, 2007 Through April 25, 2008

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2007 Taxes for Boyle County Sheriff for the period April 21, 2007 through April 25, 2008. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$11,328,628 for the districts for 2007 taxes, retaining commissions of \$361,240 to operate the Sheriff's office. The Sheriff distributed taxes of \$10,959,174 to the districts for 2007 taxes. Taxes of \$2,663 are due to the districts from the Sheriff and refunds of \$661 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold McKinney, Boyle County Judge/Executive

Honorable LeeRoy Hardin, Boyle County Sheriff

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the Boyle County Sheriff's Settlement - 2007 Taxes for the period April 21, 2007 through April 25, 2008. This tax settlement is the responsibility of the Boyle County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Boyle County Sheriff's taxes charged, credited, and paid for the period April 21, 2007 through April 25, 2008, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold McKinney, Boyle County Judge/Executive

Honorable LeeRoy Hardin, Boyle County Sheriff

Members of the Boyle County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

July 31, 2008

BOYLE COUNTY
LEEROY HARDIN, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES

For The Period April 21, 2007 Through April 25, 2008

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 775,605	\$ 3,194,282	\$ 3,910,391	\$ 1,781,018
Tangible Personal Property	99,691	539,333	211,843	619,132
Intangible Personal Property				82
Fire Protection	297			
Increases Through Exonerations	162	626	746	1,159
Omitted Taxes	64	286	810	148
Franchise Taxes	46,642	218,178	166,478	
Additional Billings	172	832	885	62
Penalties	3,970	16,014	15,806	9,482
Adjusted to Sheriff's Receipt	(11)	14	2	(10)
Gross Chargeable to Sheriff	<u>926,592</u>	<u>3,969,565</u>	<u>4,306,961</u>	<u>2,411,073</u>
<u>Credits</u>				
Exonerations	1,110	4,565	3,958	2,678
Discounts	14,666	62,982	69,331	40,570
Delinquents:				
Real Estate	6,609	26,560	32,103	15,174
Tangible Personal Property	190	877	210	586
Franchise Taxes	<u>324</u>	<u>1,357</u>	<u>1,713</u>	
Total Credits	<u>22,899</u>	<u>96,341</u>	<u>107,315</u>	<u>59,008</u>
Taxes Collected	903,693	3,873,224	4,199,646	2,352,065
Less: Commissions *	<u>38,694</u>	<u>121,488</u>	<u>100,808</u>	<u>100,250</u>
Taxes Due	864,999	3,751,736	4,098,838	2,251,815
Taxes Paid	864,415	3,749,616	4,094,922	2,250,221
Refunds (Current and Prior Year)	<u>525</u>	<u>2,088</u>	<u>2,005</u>	<u>1,594</u>
Due Districts or		**		
(Refund Due Sheriff)				
as of Completion of Audit	<u>\$ 59</u>	<u>\$ 32</u>	<u>\$ 1,911</u>	<u>\$ 0</u>

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

BOYLE COUNTY
LEEROY HARDIN, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES
For The Period April 21, 2007 Through April 25, 2008
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	5,267,484
2.4% on	\$	4,198,755
2.25% on	\$	1,366,312
1% on	\$	486,076

** Special Taxing Districts:

Library District	\$	137
Health District		143
Extension District		134
Fire District		279
City of Danville		<u>(661)</u>

Due Districts or (Refund Due Sheriff)	\$	<u>32</u>
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BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT

April 25, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Boyle County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
April 25, 2008
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Boyle County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 26, 2007 through April 25, 2008.

Note 4. Interest Income

The Boyle County Sheriff earned \$7,771 as interest income on 2007 taxes. As of July 31, 2008, the Sheriff owed \$2,812 in interest to the school districts and \$4,959 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Boyle County Sheriff collected \$32,602 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of July 31, 2008, the Sheriff owed \$12,212 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Boyle County Sheriff collected \$3,315 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff used the advertising fees to operate the Sheriff's office. As of July 31, 2008, the Sheriff owed \$110 in advertising fees to his fee account.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts

According to KRS 393.110, Sheriffs should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. The Sheriff had unrefundable duplicate payments and unexplained receipts of \$3,072 for the 2004 taxes, \$1,388 for the 2006 taxes, and \$430 for the 2007 taxes, all of which is reportable to the Treasury Department.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold McKinney, Boyle County Judge/Executive
Honorable LeeRoy Hardin, Boyle County Sheriff
Members of the Boyle County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Boyle County Sheriff's Settlement - 2007 Taxes for the period April 21, 2007 through April 25, 2008, and have issued our report thereon dated July 31, 2008. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Boyle County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyle County Sheriff's Settlement - 2007 Taxes for the period April 21, 2007 through April 25, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

The Boyle County Sheriff's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Boyle County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

July 31, 2008

COMMENT AND RECOMMENDATION

BOYLE COUNTY
LEEROY HARDIN, SHERIFF
COMMENT AND RECOMMENDATION

For The Period
April 21, 2007 Through April 25, 2008

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly “that part of his investment earnings for the month which is attributable to the investments of school taxes.” The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff’s fee account. During 2007 tax collections, the Sheriff earned interest of \$7,771 on his tax account. However, the Sheriff did not pay the interest to the Board of Education or the fee account on a monthly basis. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the school and fee account on a monthly basis.

Sheriff’s response: We will disburse interest to school districts.

